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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 001388

SIPDIS

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TAGS: [ECON](#) [EFIN](#) [PREL](#) [EINV](#) [PGOV](#) [VE](#)
SUBJECT: COMMUNAL ECONOMY CENTER

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Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) and (d).

¶1. (SBU) Summary. EmbOffs visited a newly inaugurated communal economic center near Caracas. The center, extremely modern by Venezuelan standards, offers a space for communal cooperatives to sell local goods. However, many of the cooperatives did not sell locally produced goods or sold cheap knock-off products. A government funded supermarket was poorly stocked, although its prices were 25 to 50 percent lower than private store prices. The Center illustrates both the collectivist approach envisioned by Chavez's 21st Century Socialism as well as government microfinance efforts which funnel money to programs without much evidence of accountability or metrics for success. End Summary.

A SHOWCASE OF COMMUNAL COOPERATIVES

¶2. (SBU) The Centro de Economia Communal "Ali Primera" (CECAP) was inaugurated with much fanfare by Miranda State Governor Disodado Cabello Rondon (Cabello) on August 26th. Located at the Ali Primera Metro Station in Los Teques, near Caracas, CECAP has 35 booths for small shops. Currently, twenty-two booths are occupied by communal cooperatives from the Altos Mirandinos subregion of Miranda and include shoe, clothing, party goods, arts & crafts, and gifts shops as well as a bakery, fast food restaurants and a PDVAL supermarket. The stated purpose of CECAP is to consolidate Venezuela's new economic model and benefit local residents by supporting community production and the actions of community councils.

¶3. (SBU) CECAP occupies a new modern building, easily accessible by mass transit. The Bolivarian Republic of Venezuela (BRV), through the Fondo de Recursos Financieros para los Consejos Comunales (the Fund of Financial Resources for Community Councils), invested approximately 5 million BsF (approximately 2.33 million USD at the official exchange rate) for construction of the building and support for local community productive activities. Other moneys are funneled through the regional government to communal cooperatives as well. The center is impressive, with a main structure that houses the shops and adjacent parking. The cookie-cutter shops boast high-end finishing including blond wood shelving, tempered glass store fronts and marble flooring. In addition, each small shop was outfitted with a modern cash register. The hours of operation are 9 am to 9 pm, seven days per week.

ECONOMIC ACTIVITY IN THE CENTER

14. (SBU) EmbOffs visited CECAP's operating stores in an unofficial visit. Many people were at work cleaning the open-air building and there was a high security presence. Despite the stated goal of community production, few stores offered locally produced merchandise. The clothing store exclusively stocked Panamanian clothing. The shop worker said no locally produced clothes are available to sell. The handbag store had a small selection of locally produced handbags. They were, however, of poor quality and design. The handbag store also openly sold cheap imitations of European and American designer goods. Fakes were easy to spot due to poor workmanship and typographical errors in the brand name. (One small handbag was sold under the "Bucci" rather than "Gucci" label and a "Tous" wallet included the card of the manufacturer, Dollhouse Latin America.) The party store did sell locally produced piñatas and accepted orders for homemade cakes, both items which are easily produced without significant capital investment.

15. (SBU) EmbOff spoke with several store workers about the financing and business structure of their stores. Store workers explained that each store is a communal cooperative, with all revenues deposited into the communal account with Banco Communal, a government bank. The communal cooperatives are granted permission to operate within the center by the BRV and leases do not exist. A communal cooperative is formed when a group of neighbors band together and register as a communal cooperative. Upon submission of a cooperative plan to the regional government, approved cooperatives are granted a loan of approximately 120,000 BsF (approximately 56,000 USD at the official exchange rate). Once the cooperative informs the government it has completed eighty percent of its proposal, the cooperative is permitted to submit another cooperative plan for additional moneys. Store workers did not mention the need to repay the initial loan to

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have access to additional moneys nor any government established standards for project completion. Due to the regional funding of cooperatives, the store workers praised Governor Cabello for the new center, rather than President Chavez.

PDVAL SUPERMARKET POORLY STOCKED

16. (SBU) The PDVAL supermarket, a subsidiary of PDVSA, Venezuela's national oil company, was a depressing matter. Although at first glance the store seemed adequately stocked, further inspection revealed otherwise. Shelves contained a few basic products produced in Venezuela, including rice, black beans, sardines, marmalade, margarine, fruit juices and long life milk. (Note: Some of the items, such as black beans, are usually unavailable in private grocery stores.) There were two deep-freezers containing whole chickens and beef, both of which were imported from Brazil and appeared to be of poor quality. The dairy section was poorly stocked with only the products of a government-owned enterprise. The store contained only perhaps several daily sales hours worth of basic goods. In comparison with private grocery stores, however, the prices were 25 to 50 percent lower. Rationing of products was enforced as shoppers were permitted to buy only 6 kilos of any one product. A shopper, if lucky, would be able to buy only a portion of the basic food basket and need to buy additional items at a private grocery store. There was no fresh fruit, vegetables or meat available.

COMMENT

17. (C) In the past several years, the BRV has pumped large amounts of money into social projects (mainly the so-called missions) with little quantifiable success. CECAP represents

a collectivist model where the BRV, rather than making strategic investments in economically viable local industries, directs money towards small projects with little accountability or defined metrics for success. The possibility of corruption and fraud within the communal cooperatives are high due to lack of oversight.

CAULFIELD